
TOWNSHIP OF WEST MILFORD, COUNTY OF PASSAIC, NEW JERSEY

Minutes of: Township Council Special Meeting
Date of Meeting: February 4, 2006
Time of Meeting: 9:00 A.M.
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Mayor Joseph Di Donato called the Special Meeting of the West Milford Township Council to order.

Adequate Notice Statement

Mayor Di Donato read the following statement:
Please note that in accordance with Chapter 231, Public Laws of 1975 of New Jersey, adequate advance notice of this special meeting was advertised in the Herald News in its issue of January 30, 2006; copies were provided to the Record, Star Ledger, Suburban Trends and Greenwood Lake News and posted continuously on the bulletin board in the main corridor of the Town Hall and on file in the Office of the Township Clerk.

Pledge of Allegiance

Mayor Di Donato led all in attendance in a salute to the flag.

Roll Call

Present: Councilmembers Philip Weisbecker (arrived at 9:10 a.m.), Joseph Smolinski
William Gervens, Robert Nolan, James Warden,
Carmelo Scangarello (arrived at 9:40 a.m.)
Mayor Joseph DiDonato

Absent:

Also Present: Township Administrator Richard Kunze, Township Clerk Antoinette Battaglia,
Township Chief Financial Officer Arthur Magnotti, Auditor Charles Ferraioli, Jr.

Budget Overview

Administrator Kunze asked the Council to let the CFO know if we can schedule the final budget meeting for February 21st at 7:00 p.m. The recreation and planning departments will attend that final meeting. Today we will start with a broad overview of the budget, status and trends.

Mr. Ferraioli advised that he has contacted the Governor's office for information to assist in budget preparation for municipalities. However, because that office is currently undergoing a transition, they did not have much information at this time. The budget calendar has been extended to March 10th. The deadline for extraordinary aid applications has also been extended. He was instructed from the governor's office to anticipate aid equal to amounts received last year. He was provided the same instruction with regard to watershed aid too. However, no promises are being made. He is currently preparing the financial statements and will have more information next week. Mr. Ferraioli provided a brief overview of the annual debt statement and the Township's Moody's rating. He will provide the Council with a copy of the Moody report next week. Mr. Ferraioli noted his concerns about the impact the Highlands legislation will have on ratables in the Township and advised that this is also a concern expressed by Moody's. He recommended that the Council consider speaking with the Highlands Council to share our concerns and request some form of relief.

Mr. Ferraioli reviewed CAP laws, recent changes to the CAP laws, and the impact of these laws and changes on our budget and the budget process. He cautioned that, due to the Highlands legislation, as our ratable increases get smaller, our add-on to CAP will continue to get smaller. Potentially, this could eventually impact the amount of services we can provide. He reviewed possible scenarios through 2008. Mr. Ferraioli reminded the Council that the State has mandated pension contributions through a formula that requires increased contributions of 20% per year for five years until all municipalities are contributing 100%. He urged elected officials to let assembly representatives know of the difficulty this is posing to all New Jersey municipalities. He presented numbers that would result in significant savings if the legislature were to spread the term to seven years rather than the five years now mandated. He briefly discussed how increased utility, fuel, and heating costs have impacted the Township in the latter part of 2005 and how it continues to impact us in 2006.

Mr. Ferraioli advised that outstanding 2005 bills can be paid through March 2006. Then any remaining funds in the budget will go into surplus in 2007. The numbers in the current budget are substantially complete – approximately 90%. Most of the outstanding bills are from December. Mayor Di Donato noted that municipal taxes account for 21.5% of the budget; school taxes account for 56.3% of the budget; county taxes account for 22% of the budget; and open space accounts for .2%. He asked Mr. Ferraioli to note his comments with regard to the Highlands legislation and its impact on the municipal finances in memo that the Council can share with the Highlands Council. He also asked for a memo explaining how CAP laws impact contract negotiations. Mr. Ferraioli advised that he has often testified for municipalities in arbitration hearings about how the Township is limited under CAP laws on how much they can budget for

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any item based on the previous years budgets. Generally, he has found his testimony to have little or no impact on final arbitration settlements. The Administrator noted that, in addition to percentage rate increases, step guide increases often equate to 5½ to 6% increases. At 9:40 a.m. Mayor Di Donato thanked Mr. Ferraioli for attending this morning's meeting. Mr. Ferraioli left the meeting.

Administrator Kunze credited his staff and the CFO's staff for the quality of the budget document before the Council today. He reviewed the overall appropriation level and advised that, at some time in the future, the Council may wish to consider separating the solid waste budget from the overall budget. The library is seeking a 3.75% appropriations increase over 2005. The proposed increases in this year's budget are comprised mainly of mandated increases. These include pension, utility, health and insurance, and snow removal costs. Despite these increases, realized savings in the budget allowed us to stay at or below the overall rate of inflation. If you were to exclude the four areas mentioned earlier that amounted to the greatest increases, our appropriations are rising by approximately 1%. We have saved over \$300,000 by eliminating garbage collection and have realized an annualized savings of \$230,000 in salary costs. We have also realized an increase in investment income. He anticipates an increase in other revenues in 2006 as a result of the fee ordinance amendment in September 2005. The CFO solicited RFP's in 2005 that maximized our investments; he obtained a rate of prime plus 1% for savings invested in a NOW account which is significantly higher than any rate realized for quite a few years. The proposed tax rate increase in this year's budget is 16 tax points (\$206 for the average home). If we receive watershed aid the increase would be 10 tax points (\$133 for the average home). This budget maintains current services, seeks to improve our ability to maintain infrastructure, and reduce payroll.

The Administrator reviewed some suggested areas for increasing fee-based revenue and some potential future capital programs. However, Council will discuss these items at a later date.

The Administrator commended the former Tax Collector for the increased percentage of collections in 2005 over 2004. We can anticipate that the current fund balance will be the same as last year. State aid has not increased in years and, since 1999, there has been a 33% reduction in state aid. The Highlands Act has and will continue to affect growth. The Council instructed the CFO to find out how Passaic County's impact on surrounding municipalities compares to its impact on West Milford.

Administrator's Budget – overall increase of \$5,000 or 2.2%. There has been a decrease in operating expenses to offset increases in salary & wages. The fee-to-services line item is for unforeseen professional services.

Human Resources is part of Administration. The budget is for recruitment, drug testing, salary & wages for staff. This year's budget reflects an overall 2.5% increase primarily due to longevity and an increase for advertising expenses. The Council asked the CFO to review and report on the overtime appropriation for this department.

Mayor & Council operating expenses budget remain the same this year. There is a \$5,000 reduction in salary & wages which can be attributed to the new form of government and the rules that now apply.

Information Technology – costs were centralized last year for these services. This has realized a \$2,900 savings primarily in maintenance contracts. Last years fee-for-service did not reflect full costs because some departments were still handling this item through their own budgets. Therefore, the budget this year reflects an increase of \$38,500. The CFO advised that his department is getting a new, more efficient software package this month. He advised that Edmunds is widely used, has a good reputation, and the best prices.

Legal – this budget does not include legal fees associated with the planning and zoning boards. The budget reflects an overall reduction of \$7,500. However, it is hard to predict legal costs for any given year. Discussion ensued about approved amount for the Township Attorney and the appropriated amount. The Administrator recommended budgeting for the higher amount rather than be under funded. He feels it is prudent to have the ability to exceed the approved amount if necessary, but only with council consent and approval. The line item for special legal counsel is appropriated for labor counsel and for additional legal counsel as needed. There is a line item of \$30,000 that is appropriated for legal settlements. This is based on the fact that there are unresolved legal issues and we don't know what the resolutions will be.

General Services – last year all department's expenditures for general services were consolidated into this line item. Now, all office supplies are purchased through this centralized account. The increase being requested for postage is a result of the recent increase in postage

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fees as well an anticipated cost for a future newsletter. The salary & wages in this budget are for floaters whose services are used throughout the Township to cover absences and/or staffing deficiencies.

Insurance – Group health insurance increased by 7.3%. There is an allowance in this budget for contingencies which is necessary in case there are changes in employees or changes made to coverage by employees. Retiree health coverage has a significant impact on this budget. The Township has an incentive for employees to avail of coverage through their spouse's plans. We offer compensation of 25% of the value of the lowest premium to employees who are covered under a spouses insurance. Most employees do not avail of this because our coverage is so good. Property and liability insurance increased this year by 3.3%.

Heritage Commission – the budget this year remains the same as last year. Councilman Nolan requested a \$3,000 appropriation for a new sign. Administrator Kunze stated that such a purchase might be better encumbered through a capital account. The CFO suggested that perhaps the West Milford Rotary Club or the Boy Scouts may wish to donate to this project.

Clerk's Office – there is an overall increase to this budget of 10%. There are savings in the salary & wages due to the recent retirement of the former Clerk. There is a \$3,600 increase in operating expenses and an additional \$5,000 has been appropriated for codification. The Clerk advised that, because she is new to the Township, she is deferring to the Administrator and the CFO on this year's appropriations for this department.

Elections – there is a decrease in this budget due to the recent change in the form of government. In the previous form, we were required to have an election in May for which we assumed all the costs.

Treasurer's Office – there is an increase in salary & wages due to longevity. The Township is still negotiating salary increases. ADP payroll services will increase about \$800 this year and the bank as a result of negotiations last year offsets some of this cost. The fee-for-service appropriation is for ADP.

Audit – there are no changes in this budget from last year.

Tax Collection – there is a reduction in salary & wages due to recent retirements. The department is currently in the process of recruiting a deputy tax collector and a clerk. The department anticipates a need for overtime and expects the new hires to begin in April. There will be an increase next year because we have not been paying salaries to these two positions since January, but overall there is still a reduction. Other expenses have increased by \$800 because of printing cost increases.

Tax Assessment – was recently reorganized reducing staffing costs. Printing increased here too. There is a request for additional appropriation for schooling due to the re-certification cycle.

Utilities and Bulk Purchases – overall increase of 20% principally because of increases in natural gas and vehicle fuel of approximately 87.5% over what was budgeted in the past. The Administrator advised that he will be monitoring these accounts closely.

Gas and Diesel – we are currently purchasing these items through a co-operative and getting a lower rate than retail. The numbers for 2005 are about one month behind. Most of the increases in 2005 did not happen until the fall and we don't know where the rates will go. The Administrator advised that he and the CFO were deliberately conservative in the appropriations in this line item. They hope the number will prove to be less than anticipated. The only tax we pay for gas and diesel is the leaking underground storage tank tax.

Telephone – hopefully we will see a reduction in this line item in the future as a result of efforts expended by the soon-to-be-formed telecommunications task force.

Miscellaneous & Statutory – appropriations in this budget are primarily for PERS and PFRS, the pension systems for employees. The state has mandated contributions staggered over five years to bring us to 100% contributions in five years.

Social Security – this line item reflects a 4% increase from last year. It is substantiated by projected salary & wages throughout the Township. Turnover is factored in.

Salary Adjustment – this account is used whenever we are in the process of labor negotiations as we are now. Adjustments made after negotiations are settled. This year there is an increase because we must match last year and appropriate for this years overall level increases. We won't

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know the final dollar amount until all negotiations are settled which will hopefully be before the end of the year.

Compensated Absences – the State encourages municipalities to fund liability for vacation and sick time. The Township has a \$15,000 cap on sick time payouts. This year’s budget reflects payments due the recently retired police chief and other recent retirements. Ideally, we should have some reserves in this account. Employees can only carry over one year’s worth of vacation time.

On behalf of the Council, Mayor Di Donato complimented both Administrator Kunze and CFO Magnotti for their work and presentation today. The Administrator advised that next week’s meeting will include participation from public safety and court. He expects the Police Chief, Fire Commissioner, Court Administrator, First Aid Representative, Fire Prevention Representative, and OEM Representative to be present. The CFO will report next week on financial statements received from volunteers.

Public Comments

Mayor Di Donato opened the meeting to the public.

There being no comments from the public Councilman Nolan moved to close the public portion of the meeting. Councilman Scangarello seconded the motion. By voice vote the Council gave unanimous consent.

Adjournment

There being no further business to come before the Council, the Township Council adjourned the meeting at 11:35 A.M.

Moved: Nolan Seconded: Scangarello
Voted Aye: By voice vote the Council gave unanimous consent.
Voted Nay: None.
Motion carried.

Approved:

MAYOR JOSEPH DIDONATO
PRESIDING OFFICER

ANTOINETTE BATTAGLIA
TOWNSHIP CLERK